

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-009
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Sarah Blote

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-009

12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKAIH, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements	6
Report Distribution	10



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Roger Coate, President
Board of Directors
12th DAA, Redwood Empire Fair
1055 N. State Street
Ukiah, California 95482

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 12th District Agricultural Association (DAA), Redwood Empire Fair, Ukiah, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 12th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

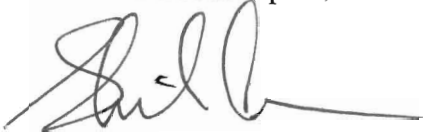
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 12th DAA, Redwood Empire Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 12th DAA, Redwood Empire Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-009, on the 12th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 12th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

for Ron Shackelford, CPA
Chief, Audit Office

April 18, 2008

**12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash	111-119	\$ 459,738	\$ 352,021
Accounts Receivable, Net	131-133	15,560	18,842
Inventory	141	400	80
Deferred Charges	143	199	-
Construction in Progress	190	122,298	241,492
Land	191	52,358	52,358
Buildings and Improvements, Net	192	1,421,676	1,378,816
Equipment, Net	193	3,213	4,819
TOTAL ASSETS		<u>2,075,442</u>	<u>2,048,428</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Liabilities	211-213, 259	15,746	31,051
Payroll Liabilities	221-226	1,810	1,651
Deferred Income	228	44,822	11,036
Guaranteed Deposits	241	8,785	28,593
Racetrack Improvement Fund	243	997	-
Compensated Absences Liability	245	16,359	14,557
Total Liabilities		<u>88,518</u>	<u>86,889</u>
Net Resources			
Net Resources - Junior Livestock Auction	251	43,179	36,132
Net Resources - Operations	291	344,200	247,922
Net Resources - Capital Assets, less Related Debt	291.1	1,599,545	1,677,485
Total Net Resources Available		<u>1,986,924</u>	<u>1,961,539</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 2,075,442</u>	<u>\$ 2,048,428</u>

**12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
REVENUE			
State Apportionments	312	\$ 150,000	\$ 150,000
Capital Project Reimbursement Funds	319	6,249	28,763
Admissions	410	92,048	91,192
Commercial Space	415	17,165	16,005
Carnival	421	54,547	56,194
Food Concessions	422	37,499	38,775
Exhibits	430	400	124
Attractions - Fairtime	460	25,721	81,810
Interim Attractions	469	69,642	-
Miscellaneous Fair	470	56,881	50,917
JLA Revenue	476	39,651	40,012
Non-Fair Revenue	480	400,019	390,130
Prior Year Adjustment	490	3,105	314
Other Revenue	495	26,264	11,698
Total Revenue		<u>979,192</u>	<u>955,934</u>
EXPENSES			
Administration	500	273,193	263,109
Maintenance and Operations	520	337,571	319,762
Publicity	540	28,140	26,374
Attendance	560	27,888	25,448
Miscellaneous Fair	570	12,764	13,260
JLA Expense	576	32,605	31,769
Premiums	580	12,884	14,939
Exhibits	630	56,881	48,618
Other-Horse Show	640	-	263
Fairtime Attractions, Interim Attractions	660	64,829	55,753
Interim Entertainment Expense	670	10,739	14,248
Prior Year Adjustments	800	491	(1,879)
Cash Over/Short from Ticket Sales	850	55	50
Depreciation Expense	900	89,516	96,721
Other Funding	945	6,249	2,221
Total Expenses		<u>953,807</u>	<u>910,656</u>
RESOURCES			
Net Change - Income / (Loss)		25,385	45,278
Resources Available, January 1		1,961,539	1,916,261
Resources Available, December 31		<u>\$ 1,986,924</u>	<u>\$ 1,961,539</u>

**12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 25,385	\$ 45,278
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Accounts Receivable	3,282	195,939
Increase (Decrease) in Inventory	(320)	42
Increase (Decrease) in Deferred Charges	(199)	-
Increase (Decrease) in Racetrack Improvement Fund	997	
(Increase) Decrease in Accounts & Other Payables	(15,305)	(117,989)
Increase (Decrease) in Deferred Income	33,786	(499)
Increase (Decrease) in Miscellaneous Liabilities	159	(9,473)
Increase (Decrease) in Compensated Absense Liability	1,801	(27,417)
(Increase) Decrease in Guarantee Deposits	(19,808)	18,008
Total Adjustments	<u>4,392</u>	<u>58,611</u>
Net Cash Provided (Used) by Operating Activities	<u>29,777</u>	<u>103,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	119,194	114,016
(Increase) Decrease in Buildings & Improvements, Net	(42,860)	(103,274)
(Increase) Decrease in Equipment, Net	<u>1,606</u>	<u>8,329</u>
Net Cash Provided (Used) by Investing Activities	<u>77,940</u>	<u>19,071</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	107,719	122,960
Cash at Beginning of Year	352,021	229,061
CASH AT END OF YEAR	<u><u>\$ 459,738</u></u>	<u><u>\$ 352,021</u></u>

**12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 12th District Agricultural Association (DAA) was formed on January 15, 1935, for the purpose of sponsoring, managing, and conducting the Redwood Empire Fair each year in Ukiah, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the 12th DAA. The 12th DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization.

The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 100	\$ 100
Change Fund	2,618	3,018
Cash in Bank - Operating	11,222	25,537
Cash in Bank - Premium	2,683	1,930
Cash in Bank - Payroll	689	1,738
Cash in Bank – Time Deposits	400,228	287,231
Bank Revolving Equity Fund	0	32,467
Cash - JLA	<u>42,198</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$ 459,738</u>	<u>\$ 352,021</u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable	\$ 13,070	\$ 17,160
Allowance for Doubtful Accounts	(2,584)	(2,554)
Accrued Interest	<u>5,074</u>	<u>4,236</u>
Accounts Receivable - Net	<u>\$ 15,560</u>	<u>\$ 18,842</u>

NOTE 4 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$3,531,284	\$3,400,513
Less: Accumulated Depreciation	<u>(2,109,608)</u>	<u>(2,021,697)</u>
Building & Improvements - Net	<u>\$1,421,676</u>	<u>\$1,378,816</u>
Equipment	\$ 160,149	\$ 160,149
Less: Accumulated Depreciation	<u>(156,936)</u>	<u>(155,330)</u>
Equipment - Net	<u>\$ 3,213</u>	<u>\$ 4,819</u>

NOTE 5 **RETIREMENT PLAN**

Permanent employees of the DAA's are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

**12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, DAA Board of Directors
1	Chief Executive Officer, DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA

MANAGEMENT REPORT #08-009

YEAR ENDED DECEMBER 31, 2007

12TH DISTRICT AGRICULTURAL ASSOCIATION
REDWOOD EMPIRE FAIR
UKIAH, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Sarah Blote

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
08-009

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS	3
Individuals Living on the Fairgrounds	3
NON-REPORTABLE CONDITIONS	4
Opportunity Purchases	4
Uncashed Checks	4
DISPOSITION OF AUDIT RESULTS.....	5
REPORT DISTRIBUTION	9



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Roger Coate, President
Board of Directors
12th DAA, Redwood Empire Fair
1055 N State Street
Ukiah, California 95482

In planning and performing our audit of the financial statements of the 12th District Agricultural Association (DAA), Redwood Empire Fair, Ukiah, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Redwood Empire Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 11202, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 12th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in



operations to adequately safeguard the 12th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 12th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 12th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 12th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 12th DAA and compliance with state laws and regulations, we identified one area with reportable conditions that are considered a weakness in the Fair's operations: individuals living on the fairgrounds. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how each recommendation will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 12th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

INDIVIDUALS LIVING ON THE FAIRGROUNDS

An examination of the individuals living on the fairgrounds identified the following conditions that expose the Fair to loss:

- a. The Fair entered into contracts with three different independent contractors to provide various recreational vehicle (RV) space services for the Fair. Each contract stipulates the Fair pay the RV host \$500 a month and one RV space for the term of the contract in exchange for their services. Each RV host was issued Internal Revenue Service (IRS) Form 1099, Miscellaneous Income (1099) in the amount of monetary compensation received throughout the year. However, the Fair did not report to the IRS, as miscellaneous income, the fair market value (FMV) of the RV space provided to the individuals. In addition to the primary RV hosts, the Fair has an assistant RV host who receives an RV space but no monthly payments. The assistant RV host was not issued a 1099 for the FMV of the RV space provided. This was a prior year audit finding.
- b. One of the two RV hosts was contracted from December 2006 through March 2007. This contractor returned as the RV host in October 2007 and remained the primary RV host through December 31, 2007. However, our office noted the Fair did not amend the terms of the existing contract or create a new one to include the last portion of 2007. A formal amendment of all previously agreed upon terms and conditions would protect both parties from any disputes that may later arise.

Recommendations

1. *The Fair should ensure all income provided to contractors is stated on the IRS Form 1099 by including the FMV of the RV space provided in addition to any monetary compensation earned.*
2. *The Fair should either amend existing contract terms or create a new contract when changes are made to existing terms and conditions. All amendments to the contract should be initialed and dated by all parties involved.*

NON-REPORTABLE CONDITIONS**OPPORTUNITY PURCHASES**

The Fair did not comply with the APM when making and claiming opportunity purchases. Section 10321 of the Public Contract Code (PCC) states local businesses often provide opportunity purchases to fairs which may be purchased locally at a price equivalent to or less than that available through the state purchasing program. Therefore, to claim an opportunity purchase, the Fair must demonstrate and provide copies of bid information or exemption justification when necessary. This is a prior year audit finding.

Recommendation

The Fair should follow the guidelines as set forth in the PCC Section 10321 when making and claiming opportunity purchases.

UNCASHED CHECKS

The Fair currently has \$3,105 of uncashed checks greater than one year old, which can be returned back to the source bank account. Pursuant to the State Administrative Manual (SAM) Section 8042, Uncashed Checks, the Fair is only required to track uncashed checks for one year. After one year, any uncashed checks can be returned to the source bank account. This is a prior year audit finding.

Recommendation

The Fair should track checks from all accounts for one year. After one year, any outstanding checks should be returned to the source account via a general journal entry. In some instances a physical transfer of funds may be required to return checks to the source account.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

Board of Directors

Roger Coate— President
Roberto Muniz – Vice President
Ron Ledford
Al Beltrami
David Gowan
Carre Brown
Mike Schutz
Mike Anderson
Robert Dempel



Jennifer Seward-CEO

(707) 462-FAIR

Fax (707) 462-2641

info@redwoodempirefair.com

www.redwoodempirefair.com

October 1, 2008

Ron Shackelford, CPA
Chief, Audit Office
California Department of Food & Agriculture
2014 Capitol Avenue, Suite 107
Sacramento, CA 95814

Dear Mr. Shackelford:

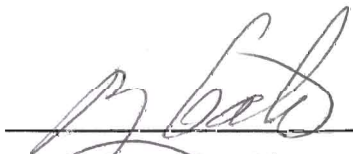
The following is offered in response to your Audit Report #08-009 and Management Report #08-009 regarding the 12th District Agricultural Association for the fiscal year ending December 31, 2007.

INDIVIDUALS LIVING ON THE FAIRGROUNDS


Recommendations

- 1. The Fair should ensure all income provided to contractors is stated on the IRS Form 1099 by including the FMV of the RV space provided in addition to any monetary compensation earned.*
- 2. The Fair should either amend existing contract terms or create a new contract when changes are made to existing terms and conditions. All amendments to the contract should be initialed and dated by all parties involved.*

The Fair will comply with the recommendations. All persons under contract working and residing in the Redwood Empire Fair's RV Park shall receive a Form 1099 for FMV of the space provided and for any financial remuneration. All amendments or new contracts shall be properly documented.



Roger Coate, President
Board of Directors



Jennifer Seward, CEO
Redwood Empire Fair



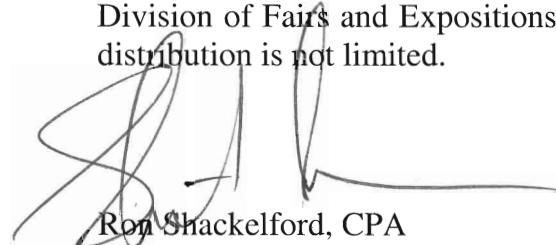
C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 12th DAA, Redwood Empire Fair for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between April 7, 2008 and April 18, 2008. My staff met with management on April 18, 2008 to discuss the findings and recommendations, as well as, other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', is written over the printed name.

Ron Shackelford, CPA
Chief, Audit Office

Fav

April 18, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 12th DAA Board of Directors
1	Chief Executive Officer, 12th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office